



transcosmos inc. (9715, TSE PRM)

Full-Year Earnings Results and New Mid-Term Business Plan Transformation into an AI Embedded Company

May 12, 2026

Alphaterra Advisory View

Overview of FY3/26 Full-Year Results

Sales in FY3/26 was 393.87 billion yen, up 4.8% YoY, and marked a new all-time high. Operating profit was also at a record level, at 16.56 billion yen, with an operating margin of 4.2%, up 0.3 percentage points YoY, excluding the exceptional demand during the COVID-19 period from FY3/21 to FY3/23. The company raised its dividend payout ratio to 40% from 35.1% in FY3/25, and expects dividend per share to increase by 34 yen YoY to 140 yen, above the company's previous assumption of 108 yen.

Company Forecast for FY3/27

The company forecasts sales to increase 4.1% YoY to 410.0 billion yen, driven by continued sales growth in the domestic BPO business, domestic CX business, and global business. Operating profit is expected to grow 1.5% YoY to 16.8 billion yen. While the company sees its gross margin to improve, active investments based on its new medium-term business plan will be a drag to the operating line, as it expects operating margin to compress 0.1 percentage point YoY to 4.1%. Assuming a 40% dividend payout ratio, dividend per share is expected to increase by 5 yen YoY to 145 yen.

New Medium-Term Business Plan

The company released its new medium-term business plan, covering three years from FY3/27 to FY3/29. Its FY3/29 target is as follows: sales of 470.0 billion yen (a three-year CAGR of 6%); operating profit of 22.5 billion yen (a three-year CAGR of 11%); and an operating margin of 4.8%, which compares to 4.2% in FY3/26. The growth strategy consists of two pillars: 1) evolving the business model and creating a mechanism to convert overall capabilities into profits, and 2) expanding the customer base and service portfolio to build a foundation for the next stage of growth

Long-Term Vision (2035 Vision)

The company aims to achieve sales of 800 billion to 1 trillion yen in FY3/36, an operating margin of 7% to 10%, and a market capitalization of 1 trillion yen. With this as a backdrop, the company views FY3/27 to FY3/29 as an investment seeding phase, which is essential to reach its FY3/36 target. Management is exploring new business models that can expand its current gross margin of 19.5% in FY3/26 by 5 to 10 percentage points.

KEY STATISTICS



Major Stock Price Indexes

Stock Price (5/8/2026, Closing)	¥3,840
52-week High/Low	¥4,150/¥2,825
No. of Shares Issued	43,863,116 shares
Market Capitalization	¥168,434 mn
PER	10.66 times
PBR	1.12 times
Dividend Yield	3.78%

Sector

Industry	Service
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Key Financial Metrics (FY3/27 CoE)

Sales	¥410,000 mn
Operating Margin (%)	4.1 (%)
ROE (FY3/26)	10.6 (%)

Management

Chairman	Masataka Okuda
Co-presidents	Masaaki Muta Takeshi Kamiya

URL <https://www.trans-cosmos.co.jp/english/>

Note: Euro-yen denominated convertible bonds with stock acquisition rights, maturing in 2026 (exercise period: Dec.28, 2021 – Nov.30, 2026). Issue price: ¥4,045.6 per share; Total number of underlying common shares: 2,471,821. EPS is presented on a non-diluted basis. Details of the fully diluted EPS are provided in Figure 10.

FY end (Consolidated)	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	PER (times)	DPS (¥)	DOE (%)
FY3/23	373,830	5.6%	23,290	-9.9%	23,072	-20.2%	15,767	-26.6%	389.2	9.9	117.0	4.3%
FY3/24	362,201	-3.1%	11,474	-50.7%	13,782	-40.3%	10,097	-36.0%	269.5	14.3	81.0	2.9%
FY3/25	375,849	3.8%	14,475	26.2%	15,683	13.8%	11,332	12.2%	302.4	12.7	106.0	3.5%
FY3/26 1Q	94,439	3.7%	3,683	21.0%	4,412	17.2%	3,404	111.4%	-	-	-	-
FY3/26 2Q	97,672	3.4%	4,389	7.3%	4,895	42.6%	3,122	22.8%	-	-	-	-
FY3/26 3Q	100,793	6.9%	5,337	33.6%	6,218	16.8%	3,893	13.6%	-	-	-	-
FY3/26 4Q CoE	100,962	11.6%	3,149	-37.5%	3,445	-53.4%	2,665	-71.2%	-	-	-	-
FY3/26 CoE	400,000	6.4%	15,500	7.1%	17,000	8.4%	11,500	1.5%	306.9	12.5	108.0	-
FY3/26	393,866	4.8%	16,558	14.4%	18,970	21.0%	13,084	15.5%	349.2	11.0	140.0	4.2%
FY3/27 CoE	410,000	4.1%	16,800	1.5%	17,800	-6.2%	13,500	3.2%	360.3	10.7	145.0	-

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Financial Performance

FY3/26 Full-Year Results

Overview

- FY3/26 sales reached an all-time high of 393.87 billion yen, up 4.8% YoY. Operating profit of 16.56 billion yen (operating margin 4.2%, up 0.3 percentage points YoY) also reached historically high level (excludes FY3/21 to FY3/23 period when special demand from COVID-19 created unusually high demand).
- 4Q sales of 100.96 billion yen was up 5.2% YoY, rewriting the quarterly sales record. It marked eighth consecutive quarters of sales growth since 1Q of FY3/25. 4Q operating profit of 3.15 billion yen was down 2.0 billion yen YoY due to one-time factors such as bonus payments related to personnel system revisions for parent services. Operating margin fell 0.4 percentage points YoY to 3.1%. QoQ, operating profit decreased by 21.9 billion yen, and operating margin fell by 2.2 percentage points.
- Net income attributable to parent of 13.08 billion yen increased 15.5% YoY, due to the increase in operating profit as well as increases in foreign exchange gains, etc.
- Achievement rates against prior company forecast were sales 98.5%, operating profit 106.8%, recurring profit 111.6%, and net income attributable to parent 113.8%. Sales fell short, but profits exceeded the company forecast.
- Management is increasing dividend payout ratio to 40%, up from 35.1%, and dividend per share is expected to reach 140 yen, up 34 yen YoY (prior company assumption: 108 yen).

Business Breakdown

- Domestic BPO business sales were 120.01 billion yen (+12.3% YoY), while operating profit reached 85.0 billion yen, up 5.6% YoY (operating margin 7.1% was down 0.3 percentage points YoY). Specialized back-office operations obtained through JVs and digital utilization led to increased sales across all categories (industry-common type: +6.2% driven by increase in new projects.; industry-specific type: +7.4% as sales per customer increased, especially to the construction industry; affiliates: +68.3% due to scope expansion of some joint ventures and new consolidations). The decrease in operating margin was mainly due to 1) contraction in automobile-related operations in industry-specific BPO and 2) increased investments toward business expansion.
- Domestic CX business sales reached 193.87 billion yen +6.2% YoY, while operating profit came in at 55.0 billion yen +14.3% YoY (operating margin was 2.8%, +0.6 percentage points YoY). Number of client companies adopting the integrated CX platform "trans-DX for Support" increased to 125 (+25 YoY), boosting orders received. Digital contact center sales increased 5.6% YoY with per-client sales increasing. Digital integration declined 3.0% YoY for the full year as existing large-scale projects contracted but observed a sales rebound in 4Q. Digital promotion was +20.0% YoY as multiple large-scale projects ordered in FY3/25 were launched. Margin improvement was driven by increased profitability in digital contact center and digital promotion.
- Global business sales were 110.08 billion yen, +7.6% YoY, operating profit was 14.0 billion yen, -5.4% YoY (operating margin of 1.3% was -0.6 percentage points YoY). CX business sales increased 8.4% YoY with digital contact center sales increasing in Greater China and Korea. BPO business sales increased 3.7% YoY with offshore development sales increasing in Greater China. Profit decreased due to the contraction in CS business's large-scale global projects in Southeast Asia.
- Other affiliates sales of 38.38 billion yen was +1.7% YoY, operating profit of 26.1 billion yen was +33.0% YoY (operating margin of 6.8% was +1.6 percentage points YoY). Sales to listed companies, Applied Technology and J-Stream, saw down, but overall sales increased due to sales increase to playground. Profitability improved at Applied Technology and playground.

FY3/27 Full-Year Forecast

Conservative Company Forecast

- The company forecasts 410.0 billion yen in sales, up 4.1% YoY, as it expects sales growth in domestic BPO business, domestic CX business, and global business.
- Operating profit forecast is 16.8 billion yen, which is a +1.5% YoY. Although the company continues to implement pursuing margin improvement measures, proactive investments based on the new medium-term business plan will be a headwind, as management expects operating margin to remain at a conservative level of 4.1% (down 0.1 percentage points YoY).
- Recurring profit (company forecast 17.8 billion yen) is expected to decrease 6.2% YoY due to absence of increased foreign exchange gains recorded in the previous period. The company forecasts recurring margin of 4.3%, down 0.5 percentage points YoY.
- The company forecasts net income attributable to parent to come in at 13.5 billion yen, +3.2% YoY. The increase is due to improvement in extraordinary profit and decrease in tax expenses associated with restructuring of Europe and America businesses implemented in FY3/26. Net income attributable to parent margin is expected at 3.3% (flat YoY).
- Assuming dividend payout ratio of 40%, dividend per share should be 145 yen, up 5 yen YoY.

Figure 1 Quarterly performance trends

Quarterly Financial Results (¥ mn, %) (Cumulative)		FY3/25				FY3/26				vs CoE (Achieve)	FY3/26 CoE	FY3/27 CoE
		1Q	1-2Q	1-3Q	1-4Q	1Q	1-2Q	1-3Q	1-4Q			
Sales		91,083	185,545	279,864	375,849	94,439	192,111	292,904	393,866	98.5%	400,000	410,000
YoY		2.4%	3.1%	3.1%	3.8%	3.7%	3.5%	4.7%	4.8%		6.4%	4.1%
Gross profit		17,375	35,345	53,721	72,244	18,143	37,201	57,260	76,643			
YoY		8.8%	6.4%	6.5%	5.8%	4.4%	5.3%	6.6%	6.1%			
Gross profit margin		19.1%	19.0%	19.2%	19.2%	19.2%	19.4%	19.5%	19.5%			
SG&A		14,331	28,213	42,593	57,769	14,460	29,128	43,851	60,084			
YoY		4.3%	3.0%	2.1%	1.7%	0.9%	3.2%	3.0%	4.0%			
SG&A ratio to sales		15.7%	15.2%	15.2%	15.4%	15.3%	15.2%	15.0%	15.3%			
Operating profit		3,043	7,132	11,128	14,475	3,683	8,072	13,409	16,558	106.8%	15,500	16,800
YoY		36.9%	22.1%	27.1%	26.2%	21.0%	13.2%	20.5%	14.4%		7.1%	1.5%
Operating profit margin		3.3%	3.8%	4.0%	3.9%	3.9%	4.2%	4.6%	4.2%		3.9%	4.1%
Recurring profit		3,763	7,196	12,519	15,683	4,412	9,307	15,525	18,970	111.6%	17,000	17,800
YoY		16.1%	-1.3%	23.6%	13.8%	17.2%	29.3%	24.0%	21.0%		8.4%	-6.2%
Recurring profit margin		4.1%	3.9%	4.5%	4.2%	4.7%	4.8%	5.3%	4.8%		4.3%	4.3%
Profit attributable to owners of parent		1,610	4,153	7,581	11,332	3,404	6,526	10,419	13,084	113.8%	11,500	13,500
YoY		9.7%	-5.4%	-7.3%	12.2%	111.4%	57.1%	37.4%	15.5%		1.5%	3.2%
Net profit margin		1.8%	2.2%	2.7%	3.0%	3.6%	3.4%	3.6%	3.3%		2.9%	3.3%

Quarterly Financial Results (¥ mn, %) (3 months)		25年3月期				26年3月期			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Sales		91,083	94,462	94,319	95,985	94,439	97,672	100,793	100,962
YoY		2.4%	3.7%	3.3%	5.7%	3.7%	3.4%	6.9%	5.2%
Gross profit		17,375	17,970	18,376	18,523	18,143	19,058	20,059	19,383
YoY		8.8%	4.1%	6.7%	4.1%	4.4%	6.1%	9.2%	4.6%
Gross profit margin		19.1%	19.0%	19.5%	19.3%	19.2%	19.5%	19.9%	19.2%
SG&A		14,331	13,882	14,380	15,176	14,460	14,668	14,723	16,233
YoY		4.3%	1.8%	0.5%	0.6%	0.9%	5.7%	2.4%	7.0%
SG&A ratio to sales		15.7%	14.7%	15.2%	15.8%	15.3%	15.0%	14.6%	16.1%
Operating profit		3,043	4,089	3,996	3,347	3,683	4,389	5,337	3,149
YoY		36.9%	13.0%	37.1%	23.1%	21.0%	7.3%	33.6%	-5.9%
Operating profit margin		3.3%	4.3%	4.2%	3.5%	3.9%	4.5%	5.3%	3.1%
Recurring profit		3,763	3,433	5,323	3,164	4,412	4,895	6,218	3,445
YoY		16.1%	-15.2%	87.7%	-13.5%	17.2%	42.6%	16.8%	8.9%
Recurring profit margin		4.1%	3.6%	5.6%	3.3%	4.7%	5.0%	6.2%	3.4%
Profit attributable to owners of parent		1,610	2,543	3,428	3,751	3,404	3,122	3,893	2,665
YoY		9.7%	-12.9%	-9.6%	95.8%	111.4%	22.8%	13.6%	-29.0%
Net profit margin		1.8%	2.7%	3.6%	3.9%	3.6%	3.2%	3.9%	2.6%

Source: Compiled by Alphaterra based on company materials.

Note: Rounded to nearest ¥1M (discard below), decimals to 2nd place (rounding). * Calculated by Alphaterra.

Figure 2 Business segment: quarterly performance trends

Segment (¥ mn, %) (Cumulative)	FY3/25				FY3/26			
	1Q	1-2Q	1-3Q	1-4Q	1Q	1-2Q	1-3Q	1-4Q
Sales	91,083	185,545	279,864	375,849	94,439	192,111	292,904	393,866
YoY	2.4%	3.1%	3.1%	3.8%	3.7%	3.5%	4.7%	4.8%
Parent company	59,566	120,645	182,461	244,017	62,295	126,514	191,099	255,482
YoY	2.6%	2.6%	2.7%	3.1%	4.6%	4.9%	4.7%	4.7%
Domestic subsidiaries & affiliates	10,406	21,043	32,287	43,286	10,481	21,851	34,272	47,092
YoY	-3.4%	-0.1%	1.7%	2.3%	0.7%	3.8%	6.1%	8.8%
Overseas subsidiaries & affiliates	24,394	50,565	75,269	102,284	25,001	50,615	77,833	105,443
YoY	5.7%	6.8%	5.6%	6.9%	2.5%	0.1%	3.4%	3.1%
Eliminations	-3,283	-6,708	-10,153	-13,738	-3,338	-6,869	-10,301	-14,151
Operating profit by segment	3,043	7,132	11,128	14,475	3,683	8,072	13,409	16,558
YoY	36.9%	22.1%	27.1%	26.2%	21.0%	13.2%	20.5%	14.4%
Operating profit margin	3.3%	3.8%	4.0%	3.9%	3.9%	4.2%	4.6%	4.2%
Parent company	1,318	3,354	5,433	7,116	1,831	4,225	7,356	8,687
YoY	18.7%	-10.0%	-3.5%	1.6%	38.9%	26.0%	35.4%	22.1%
Operating profit margin	2.2%	2.8%	3.0%	2.9%	2.9%	3.3%	3.8%	3.4%
Domestic subsidiaries & affiliates	709	1,489	2,282	2,866	889	1,679	2,663	3,337
YoY	-1.8%	25.0%	38.5%	49.3%	25.4%	12.8%	16.7%	16.4%
Operating profit margin	6.8%	7.1%	7.1%	6.6%	8.5%	7.7%	7.8%	7.1%
Overseas subsidiaries & affiliates	1,020	2,344	3,510	4,643	959	2,185	3,470	4,630
YoY	162.2%	151.5%	138.3%	82.4%	-6.0%	-6.8%	-1.1%	-0.3%
Operating profit margin	4.2%	4.6%	4.7%	4.5%	3.8%	4.3%	4.5%	4.4%
Eliminations	-4	-55	-97	-150	4	-17	-81	-96
Segment (¥ mn, %) (3 months)	FY3/25				FY3/26			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Sales	91,083	94,462	94,319	95,985	94,439	97,672	100,793	100,962
YoY	2.4%	3.7%	3.3%	5.7%	3.7%	3.4%	6.9%	5.2%
Parent company	59,566	61,079	61,816	61,556	62,295	64,219	64,585	64,383
YoY	2.6%	2.6%	3.0%	4.2%	4.6%	5.1%	4.5%	4.6%
Domestic subsidiaries & affiliates	10,406	10,637	11,244	10,999	10,481	11,370	12,421	12,820
YoY	-3.4%	3.4%	5.3%	4.1%	0.7%	6.9%	10.5%	16.6%
Overseas subsidiaries & affiliates	24,394	26,171	24,704	27,015	25,001	25,614	27,218	27,610
YoY	5.7%	7.9%	3.3%	10.7%	2.5%	-2.1%	10.2%	2.2%
Eliminations	-3,283	-3,425	-3,445	-3,585	-3,338	-3,531	-3,432	-3,850
Operating profit by segment	3,043	4,089	3,996	3,347	3,683	4,389	5,337	3,149
YoY	36.9%	13.0%	37.1%	23.1%	21.0%	7.3%	33.6%	-5.9%
Operating profit margin	3.3%	4.3%	4.2%	3.5%	3.9%	4.5%	5.3%	3.1%
Parent company	1,318	2,036	2,079	1,683	1,831	2,394	3,131	1,331
YoY	18.7%	-22.2%	9.3%	22.4%	38.9%	17.6%	50.6%	-20.9%
Operating profit margin	2.2%	3.3%	3.4%	2.7%	2.9%	3.7%	4.8%	2.1%
Domestic subsidiaries & affiliates	709	780	793	584	889	790	984	674
YoY	-1.8%	66.3%	73.5%	114.7%	25.4%	1.3%	24.1%	15.4%
Operating profit margin	6.8%	7.3%	7.1%	5.3%	8.5%	6.9%	7.9%	5.3%
Overseas subsidiaries & affiliates	1,020	1,324	1,166	1,133	959	1,226	1,285	1,160
YoY	162.2%	143.8%	115.5%	5.6%	-6.0%	-7.4%	10.2%	2.4%
Operating profit margin	4.2%	5.1%	4.7%	4.2%	3.8%	4.8%	4.7%	4.2%
Eliminations	-4	-51	-42	-	4	-21	-64	-15

Source: Compiled by Alphaterra based on company materials.

Note: Rounded to nearest ¥1M (discard below), decimals to 2nd place (rounding). * Calculated by Alphaterra.

Figure 3 Sales by business segment: quarterly performance trends

Sales by Business Segment (¥ mn, %)	FY3/25				FY3/26				FY3/25	FY3/26
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q-4Q	1Q-4Q
Domestic BPO business	25,990	26,480	27,110	27,260	28,250	29,900	31,020	30,840	106,840	120,010
Operating profit	-	-	-	-	-	-	-	-	7,950	8,500
Operating profit margin	-	-	-	-	-	-	-	-	7.4%	7.1%
Industry-agnostic BPO	15,910	16,340	16,790	17,010	17,280	17,630	17,560	17,660	66,050	70,130
Industry-specific BPO	7,460	7,640	7,850	7,880	8,130	8,190	8,380	8,430	30,830	33,130
Affiliates	2,620	2,500	2,470	2,370	2,840	4,080	5,080	4,750	9,960	16,750
Number of client companies	-	-	-	873	-	-	-	-	873	-
Domestic CX business	44,900	45,850	45,910	45,850	46,860	48,590	49,140	49,290	182,510	193,880
Operating profit	-	-	-	-	-	-	-	-	4,070	5,500
Operating profit margin	-	-	-	-	-	-	-	-	2.2%	2.8%
Of which, trans-DX for Support										
Number of adopting companies		70		100		117		125	100	125
Digital contact centers	27,010	27,690	27,900	27,560	28,500	29,580	29,490	28,760	110,160	116,330
Digital integration	7,670	7,820	7,860	7,850	7,140	7,320	7,480	8,300	31,200	30,240
Digital Promotion	7,450	7,360	7,340	7,860	8,560	8,630	9,330	9,470	30,010	35,990
E-commerce support/other	1,580	1,720	1,530	1,330	1,390	1,640	1,660	1,590	6,160	6,280
Affiliates	1,190	1,260	1,280	1,250	1,270	1,420	1,180	1,170	4,980	5,040
Number of client companies				1,750					1,750	-
Global business	24,520	25,690	25,090	27,030	26,480	27,370	28,100	28,150	102,330	110,100
Operating profit	-	-	-	-	-	-	-	-	1,940	1,400
Operating profit margin	-	-	-	-	-	-	-	-	1.9%	1.3%
CX business	20,290	21,300	20,660	22,220	22,180	22,820	23,550	23,030	84,470	91,580
BPO business	4,230	4,390	4,430	4,810	4,300	4,550	4,550	5,120	17,860	18,520
Greater China	6,710	7,300	6,410	7,710	7,230	8,020	8,430	9,030	28,130	32,710
South Korea	11,120	11,710	11,890	11,840	12,040	12,440	13,010	12,850	46,560	50,340
Southeast asia	5,990	6,050	6,230	6,840	6,530	6,430	6,200	5,800	25,110	24,960
Europe & US/Other	690	640	560	650	680	490	460	460	2,540	2,090
Total	24,510	25,700	25,090	27,040	26,480	27,380	28,100	28,140	102,340	110,100
Number of client companies	-	-	-	-	-	-	-	-	-	-
Other affiliates	-	-	-	-	-	-	-	-	37,738	38,380
Operating profit	-	-	-	-	-	-	-	-	1,962	2,610
Operating profit margin	-	-	-	-	-	-	-	-	5.2%	6.8%
Total sales by businesses	-	-	-	-	-	-	-	-	429,418	462,370
Adjustment amount	-	-	-	-	-	-	-	-	-53,569	-68,504
Sales to external customers	91,083	94,462	94,319	95,985	94,439	97,672	100,793	100,962	375,849	393,866
Operating profit	3,043	4,089	3,996	3,347	3,683	4,389	5,337	3,149	14,475	16,558
Operating profit margin	3.3%	4.3%	4.2%	3.5%	3.9%	4.5%	5.3%	3.1%	3.9%	4.2%
Total operating profit by businesses	-	-	-	-	-	-	-	-	15,828	17,990
Adjustment amount	-	-	-	-	-	-	-	-	-1,353	-1,432
Operating profit margin	-	-	-	-	-	-	-	-	3.7%	3.9%

Source: Compiled by Alphaterra based on company materials.

Note: Rounded to nearest ¥1M (discard below), decimals to 2nd place (rounding). * Calculated by Alphaterra.

Medium to Long-term Outlook

New Medium-Term Business Plan

Review of Previous Medium-Term Business Plan

In the previous medium-term management plan, ambitious financial targets were established based on strong performance from FY3/21 to FY3/23, supported by special demand related to COVID-19. However, unexpected changes in the business environment led to stagnating demand, resulting in the company falling short of its financial targets. Despite these challenges, the company continued to deliver sales growth and profitability improvements through initiatives including platformization, expanded business with global companies, and AI utilization.

Progress and Achievements

Progress in Platformization

Increased penetration within existing customers and increased touchpoints with top-tier customers, and expanded joint ventures.

Overseas Business Expansion

Increased transactions with global companies. Progressed toward profitability in both Europe and the U.S., and expanded sharing of customer assets across overseas regions.

Incorporating AI to Evolve Solutions

Developed proprietary solutions incorporating AI, and globalized the trans-AI brand. Also expanded utilization and collaboration with partners.

Strengthening the Business Foundation

Improved HR systems and personnel policies, strengthened engineering talent base.

Key Challenges Going Forward

Domestic: Address Customers' Management-Level Issues

Transition from manpower-based services to business processes driven by digitalization and AI utilization. Further increases in customer touchpoints, evolve to high value-added models, and strengthen upstream design and consulting capabilities.

Overseas: Expansion into New Markets for Growth

Shift from single country transactions to global cross-regional transactions. Expand service portfolios in China and Korea, fully launch BPO business in ASEAN, and strengthen offshore services for U.S. customers.

Business Landscape

The business environment surrounding the outsourcing business is intensifying in competition between demand and supply. Corporate IT investment appetite is strong backed by AI, but DX talent shortage is an issue, and overseas, new needs such as AI training are becoming apparent. On the consumer side, multi-channelization is occurring across all generations, and traffic via AI is expanding. In in-house IT, while enjoying AI convenience, cloud utilization is a prerequisite, and investments toward cloud environment preparation are accelerating. Against labor shortages and rising labor costs, increases in labor force from dual-income households and extended retirement ages have peaked, and productivity improvement through digital utilization is at a stage that cannot wait. In these business environments, new entrants into the outsourcing business are successive, and

consulting firms and System Integrators are strengthening management improvement proposals that include not only upstream but also downstream operation areas. Global CX has shifted from scale expansion to a differentiation competition stage with the emergence of AI. Competitor companies are rushing into M&A toward service complexification, but entry barriers to integrated services remain high. As an alternative, AI-based contact center automation has entered the implementation phase.

The competitive environment surrounding the company is not easy, but the company believes that opportunities for business expansion and differentiation are rather expanding. The need to solve the challenge of "IT/AI introduction that delivers results in actual operations" is increasing due to the rapid evolution of AI. Having expertise in operations, possessing a wide range of services within the company that is easy to collaborate, and being able to cover design, implementation, and operation improvement integrally are the company's strengths and differentiation factors. Amid the re-formation and activation of ecosystems centered on AI, the importance of developing new business areas and capturing growth companies is expanding.

Growth Strategy

Evolve the Business Model and Build Mechanisms to Convert Overall Strength into Profits

Face the customer's management level, design processes/touchpoints for CX/EX improvement and cost reduction, and hone the capability to realize them through all-transcosmos overall optimization. To create a business model evaluated by results from a man-month billing model, focus investment on standardization and platforms, and evolve into a business entity equipped with efficiency and scalability.

Expand Customer Base and Service Portfolio to Build Foundation for Next Growth

Continue investments in consulting and engineering. Sow seeds for the next growth (2035 Vision), centering on global accounts, global BPO, and new services on the AI economy.

Numerical Targets

- Financial targets for FY3/29 of the new medium-term business plan (3 years: FY3/27 to FY3/29) are as follows.
- Consolidated sales: 470.0 billion yen (3-year CAGR: +6%)
- Consolidated operating profit: 22.5 billion yen (3-year CAGR: +11%)
- Consolidated operating margin: 4.8% (FY3/26: 4.2%)
- ROA: 6% or higher (FY3/26: 6.1%)
- ROE: 10% or higher (FY3/26: 10.6%)
- Credit Rating: A level (A- as of February 2025)
- Consolidated dividend payout ratio: 40% (June 2025 dividend actual: 35.1%)

Figure 4 Medium-term business plan

Medium-term business plan (¥ mn, %)	FY3/25 Actual	FY3/26 Actual	FY3/27 CoE	FY3/28 CoE	FY3/29 Mid target	Changes FY3/26 ~ FY3/29	CAGR	FY3/36 Long target
Sales	375,849	393,866	410,000	-	470,000	76,134	6.1%	0.8~1.0 tn yen
Domestic BPO business	106,840	120,010	-	-	145,000	24,990	6.5%	-
Ratio to total sales	24.9%	26.0%	-	-	26.8%			-
Domestic CX business	182,510	193,880	-	-	212,000	18,120	3.0%	-
Ratio to total sales	42.5%	41.9%	-	-	39.1%			-
Global business	102,330	110,100	-	-	135,000	24,900	7.0%	-
Ratio to total sales	23.8%	23.8%	-	-	24.9%			-
Other affiliates	37,738	38,380	-	-	50,000	11,620	9.2%	-
Ratio to total sales	8.8%	8.3%	-	-	9.2%			-
Adjustment amount	-53,569	-68,504	-	-	-72,000			-
Operating profit	14,475	16,558	16,800	-	22,500	5,942	10.8%	56~100 bn yen
Operating profit margin	3.9%	4.2%	4.1%	-	4.8%			7~10%
Domestic BPO business	7,906	8,521	-	-	10,875	2,354	8.5%	-
Operating profit margin	7.4%	7.1%	-	-	7.5%			-
Domestic CX business	4,015	5,429	-	-	6,572	1,143	6.6%	-
Operating profit margin	2.2%	2.8%	-	-	3.1%			-
Global business	1,944	1,431	-	-	2,700	1,269	23.6%	-
Operating profit margin	1.9%	1.3%	-	-	2.0%			-
Other affiliates	1,962	2,610	-	-	5,500	2,890	28.2%	-
Operating profit margin	5.2%	6.8%	-	-	11.0%			-
Adjustment amount	-1,353	-1,432	-	-	-3,147			-
Profit to owners of parent	11,332	13,084	13,500	-	16,000	2,916	6.9%	-
Net profit margin	3.0%	3.3%	3.3%	-	3.4%			-
Total asset	207,984	223,865	-	-	257,000			-
ROE	10.0%	10.6%	-	-	10.6%			-
Cost of shareholders' equity	7.9%	7.4%	-	-	7%~			-
ROA	4.6%	6.1%	-	-	6.3%			-
Payout ratio	21.1%	35.1%	40.0%	-	40.0%			-

Source: Compiled by Alphaterra based on company materials.

Note: Rounded to nearest ¥1M (discard below), decimals to 2nd place (rounding). * Calculated by Alphaterra.

KPI

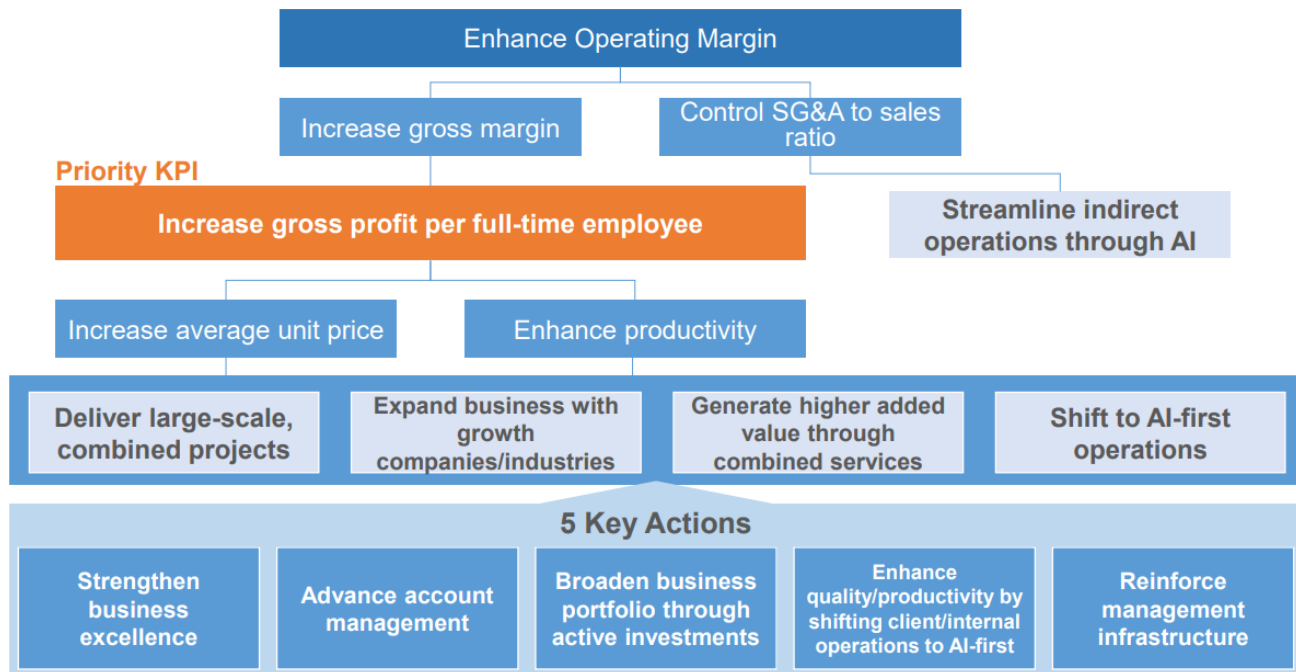
As a key KPI, the company has set an increase in gross profit per full-time employee. The keys to increasing gross profit are (1) an increase in the average unit price and (2) an improvement in productivity.

Alphaterra believes that the increase in the average unit price is primarily brought about through strengthening business excellence (problem-solving capability and expertise from upstream areas such as consulting, and comprehensive capabilities integrating consulting, technology, and operations) and advancement of account management (expansion of clients with transaction volumes on the scale of JPY 10 billion annually, and strong partnerships with domestic and overseas growth companies), among other factors.

Improvement in productivity is based on strengthening the business portfolio through the activation of investments (M&A, partnerships, and investments in IT and AI infrastructure), AI-first transformation of customer and internal operations (redefining business processes on the premise of AI), and strengthening management infrastructure (establishing a competitive HR system, developing an IT environment and governance that enable all employees to use AI routinely).

As a result, an increase in gross profit per full-time employee will lead to an improvement in the gross profit margin, and by improving the efficiency of indirect operations through the utilization of AI, the SG&A expense ratio will be suppressed, resulting in an improvement in the operating profit margin.

Figure 5 KPI tree



Source: Company materials

Long-Term Vision (2035 Vision)

2035 Vision

The company has newly established the following as its 2035 Vision: “Powering Intelligent Businesses through Consulting, Technology, and Operations.”

- Support the growth of companies that lead society globally and create the future society
- Establish a globally unique value proposition of “solving true customer issues through the integration of consulting, technology, and operations”
- Foster a corporate culture in which personnel oriented toward autonomy, growth, and challenge gather and thrive

Market Capitalization of JPY 1 Trillion

The company’s current market capitalization is approximately JPY 168.4 billion, amounting to only about 41% of the forecast net sales for the current fiscal year of JPY 410.0 billion (PSR 0.41).

The founder, Mr. Koki Okuda, during his lifetime strongly recognized the “social value of a company on the scale of JPY 100 billion, JPY 300 billion, and next JPY 500 billion and JPY 1 trillion.”

The current management team has inherited the founding spirit and aims to further accelerate the growth of the company group and become a company with a market capitalization of JPY 1 trillion. Net sales of JPY 1 trillion are already within sight; however, in order to achieve a market capitalization of JPY 1 trillion, the company must break away from its current low-profitability structure and labor-intensive business model, and prove itself in the stock market.

The company’s current PER of slightly below 11x is significantly lower than the average PER of 20x for Japanese stocks.

Image of Profitability Improvement Toward Achieving FY2035 (FY3/36) Targets

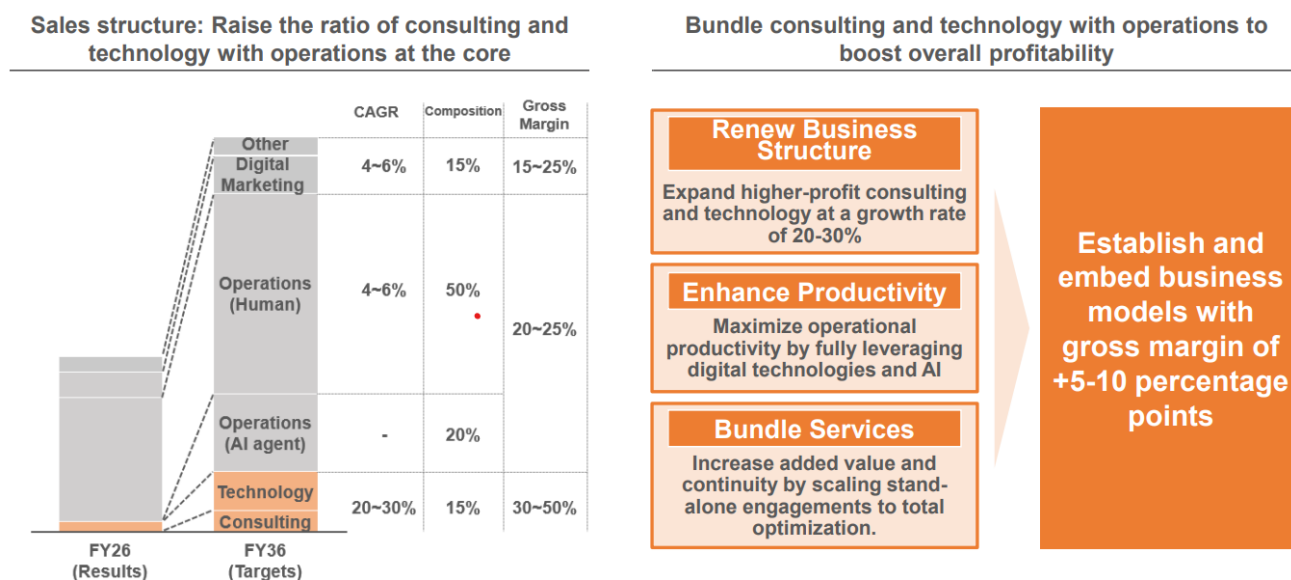
The company is seeking to build a business model that raises the current gross profit margin (19.5% for FY326) by +5 to 10 percentage points.

To achieve this, the company first plans to increase the sales composition ratio of consulting and technology businesses, which have relatively high profitability (gross profit margins of 30~50%), to around 15% by FY3/36, at a CAGR pace of +20~30%.

Operations, which account for more than 70% of the sales composition ratio, will continue to grow at a market-level CAGR of +4~6% and remain the company’s core business; however, the company expects improvement in the gross profit margin (gross profit margin of 20~25%) by maximizing productivity through the fullest utilization of digital technologies and AI.

Digital marketing and other businesses, which have relatively low profitability, are expected to remain at growth rates of around CAGR +4~6%; however, the company will work to raise overall profitability by combining them with conventional operations (bundling).

Figure 6 Long-term vision



Source: Company materials

Transformation into an AI Embedded Company

Mr. Masaaki Muta, the company’s co-president, clearly stated in the Integrated Report 2025 that “achieving a Global CX/BPO Vendor Top 5 position is not considered to exist on a simple extension of the current standalone services”.

Alphaterra believes that, in order to realize this, an inorganic growth strategy through roll-up M&A driven by consolidation within the domestic BPO industry and strategic M&A involving global players will be the key.

In an interview with Alphaterra, co-president Muta stated that “it is possible to double sales in the FY3/36 with the current scale of full-time employees.” In Europe and the U.S., it has become a topic of discussion that even companies with strong business performance are significantly reducing employee numbers in anticipation of the AI embedded era; however, co-president Muta is attempting to prepare for the coming AI embedded era with a strategy of not increasing the number of full-time employees.

In the company’s operations business, temporary employees such as business contract employees already account for the majority, and the business has high liquidity, with characteristics more akin to variable costs than fixed costs.

Capital Policy

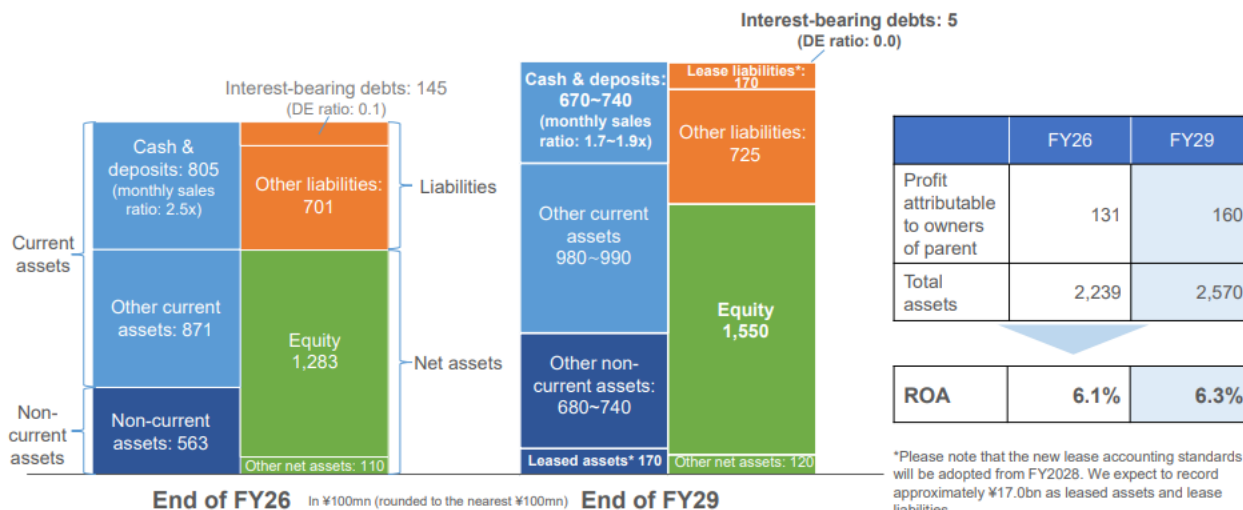
Finances

The company has established a policy of asset-light management that does not hold excessive assets, and aims to improve capital efficiency through the strengthening of cash management. By strengthening cash management on a consolidated basis, the company will reduce the amount of required working capital, and while also utilizing the surplus funds thereby generated, will proceed with the reduction of interest-bearing debt and the enhancement of shareholder returns. Although there will be an impact from the application of the new lease accounting standard*, the company expects an improvement in ROA.

As part of its business strategy, fixed assets such as investment securities may increase through M&A and alliances; however, through regular monitoring, such assets will be sold if business synergies are not expected. Investments will be based on cash generated from business operations, but the company will also appropriately consider the use of leverage while balancing future growth opportunities and financial soundness.

*New lease accounting standard: Under the current lease accounting standards, lease transactions are classified into finance lease transactions and operating lease transactions, and if they fall under finance lease transactions, on-balance-sheet recognition is in principle required. On the other hand, after the application of the new lease accounting standards, leases and non-leases will be identified, and if they correspond to leases of material importance, on-balance-sheet recognition of "right-of-use assets" and "lease liabilities" will in principle be required. On September 13, 2024, the final accounting standards regarding leases (new lease accounting standards) were published, and it was decided that mandatory application will begin from the start of fiscal years commencing on or after April 1, 2027. Source: TKC

Figure 7 Balance sheet



Source: Company materials

Investments

The company's sales is primarily flow-based income generated through human capital, and its investments are centered more on human capital than on facilities. As a result, free cash flow tends to remain stable and cash tends to accumulate. Based on its business model, in which personnel expense payments precede sales collection, the company aims to secure cash equivalent to approximately 1.7~1.9 times monthly sales in order to stabilize management, while also utilizing such cash for strategic investments under the new medium-term business plan and for the further enhancement of shareholder returns.

As of the present time (the end of the FY3/26), the company holds approximately JPY 80.5 billion in cash. Based on future

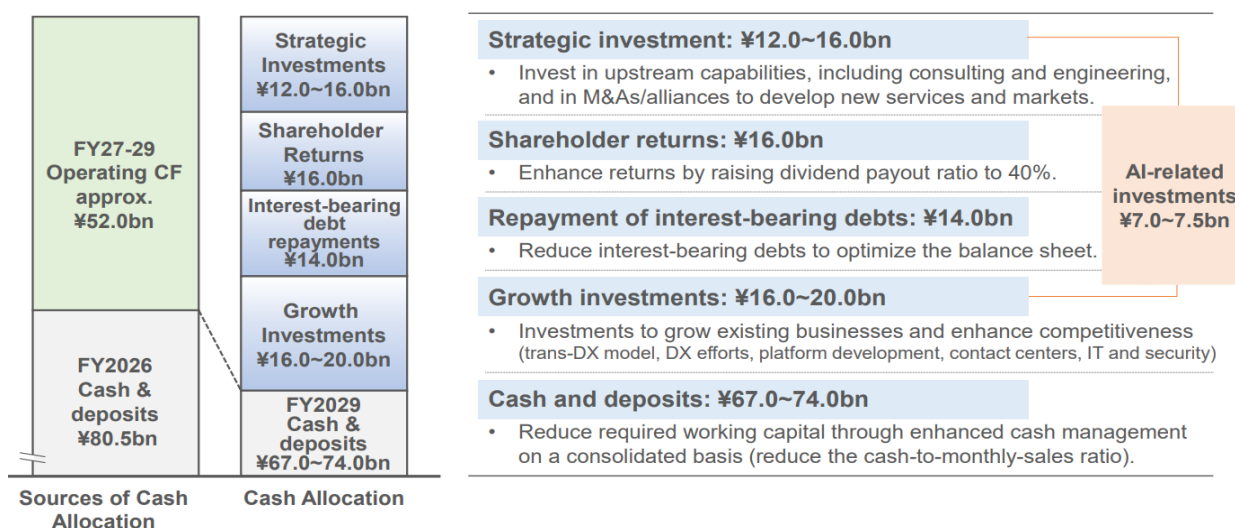
operating cash flow generation, the company intends to allocate capital while considering the balance among growth investments, shareholder returns, and financial soundness. In particular, under the new medium-term business plan, the company considers growth investments such as AI and M&A to be important.

The planned cash allocation at the end of FY3/29 is as follows: total available funds of approximately ¥62 billion consisting of about JPY 52.0 billion in operating cash flow expected to be generated during the FY3/27 through FY3/29, combined with approximately ¥10 billion in cash made available through strengthened cash management on a consolidated basis, will be allocated as follows:

- Strategic investments: JPY 12.0~16.0 billion
- Growth investments: JPY 16.0~20.0 billion
- Shareholder returns: JPY 16.0 billion
- Repayment of interest-bearing debt: JPY 14.0 billion
- Cash and deposits balance at the end of the FY3/29: JPY 67.0~74.0 billion

In addition, AI-related investments within strategic/growth investments are expected to amount to approximately JPY 7.0~7.5 billion.

Figure 8 Cash allocation



Source: Company materials

Shareholder Returns

The company resumed IR roadshows in Europe in 2024. Beginning with FY3/26, it also resumed the disclosure of earnings forecasts for the first time in 15 years, and gradually raised the dividend payout ratio from 30% till FY3/24, to 35% for FY3/25, and to 40% for FY3/26. Going forward, the company expects continued dividend increases through sustainable profit growth, with a dividend payout ratio target of around 40%.

The company has conducted share buybacks several times in the past and intends to continue considering them flexibly and opportunistically in the future. The company has indicated a policy of balancing the direction of its capital allocation strategy with growth investments, shareholder returns, and financial soundness, namely the balance of debt.

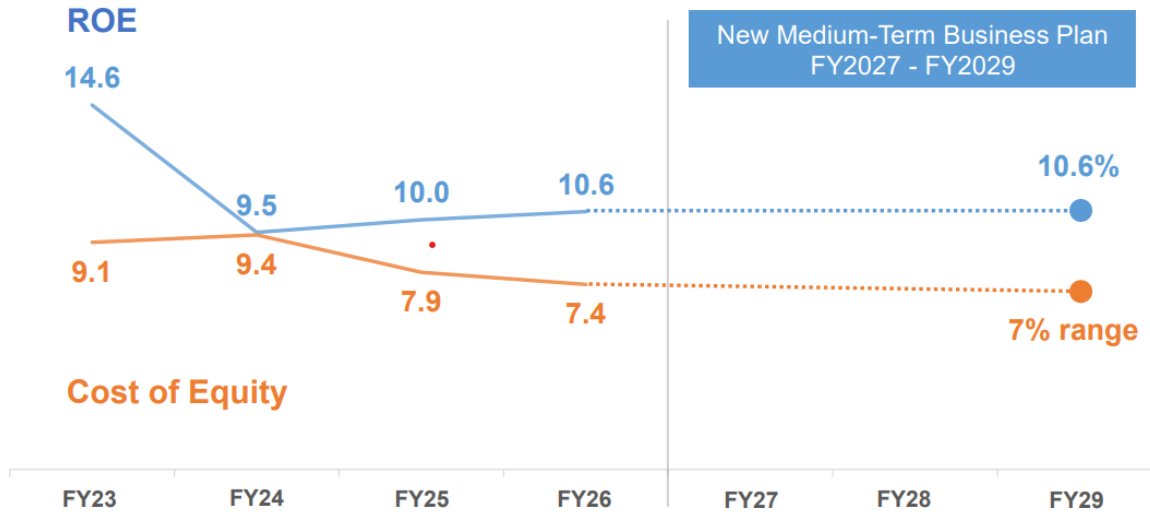
Cost of Capital

The company's ROE for FY3/26 is 10.6%, exceeding the cost of equity of 7.4% (based on CAPM), resulting in an equity spread

of 3.2%. The average ROE over the past four fiscal years was 11.2%, exceeding the cost of equity of 8.5%, and the company has achieved capital profitability above its cost of capital in both the short and medium term.

The company's net debt ratio for FY3/26 is -0.55, indicating sufficient borrowing capacity, and the company's policy is to appropriately determine the use of leverage while balancing future growth opportunities and financial soundness.

Figure 9 Equity spread (=ROE - cost of equity) trend



Source: Company materials

Figure 10 Key metrics

Key metrics, Consolidated (¥ mn)	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26
Stock metrics										
Shares outstanding at period-end (thousands of shares)	48,794	48,794	48,794	48,794	48,794	48,794	48,794	48,794	43,863	43,863
Treasury shares (thousands of shares)	7,318	7,318	7,319	7,319	7,320	7,320	11,321	11,321	6,390	6,390
EPS (¥)	172.9	-52.5	106.9	151.4	241.7	518.1	389.2	269.5	302.4	349.2
Diluted EPS (¥)	-	-	-	-	-	509.3	366.6	252.4	283.4	327.2
PER (times)	15.1	-	20.2	12.6	12.4	6.2	8.1	11.7	10.5	-
DPS (¥)	52	23	33	46	93	156	117	81	106	140
Payout ratio	30.1%	-43.8%	30.9%	30.4%	38.5%	30.1%	30.1%	30.1%	35.1%	40.1%
DOE (Dividend on equity)	2.6%	1.3%	2.0%	2.6%	4.8%	6.5%	4.3%	2.9%	3.5%	4.2%
BPS (¥)	1,969.7	1,630.4	1,725.3	1,789.0	2,069.0	2,723.3	2,761.6	2,892.3	3,166.2	3,423.3
Profitability ratios										
Gross profit margin	17.7%	17.7%	16.6%	17.5%	19.6%	22.0%	20.5%	18.8%	19.2%	19.5%
EBITDA (Operating profit + Depreciation and amortization)	10,683	9,170	8,642	14,256	22,371	31,291	28,613	17,149	20,616	21,988
EBITDA margin	4.4%	3.4%	3.0%	4.6%	6.7%	8.8%	7.7%	4.7%	5.5%	5.6%
Operating profit margin	3.3%	2.3%	1.9%	3.4%	5.3%	7.3%	6.2%	3.2%	3.9%	4.2%
Net profit margin	3.0%	-	1.6%	2.0%	3.0%	6.1%	4.2%	2.8%	3.0%	3.3%
Investment efficiency ratios										
Return on assets (ROA)	4.7%	1.3%	4.1%	6.4%	11.3%	14.7%	11.2%	7.0%	7.7%	8.8%
Return on equity (ROE)	8.8%	-2.9%	6.4%	8.6%	12.5%	21.6%	14.6%	9.5%	10.0%	10.6%
Financial leverage (equity ratio)	174.9%	182.7%	189.9%	191.6%	199.9%	198.4%	190.5%	185.6%	179.5%	174.9%
Total asset turnover	170.4%	195.4%	215.4%	223.4%	210.3%	179.6%	181.3%	184.2%	184.5%	182.4%
Net profit margin	3.0%	-0.8%	1.6%	2.0%	3.0%	6.1%	4.2%	2.8%	3.0%	3.3%
Cost of shareholders' equity	9.9%	10.1%	9.3%	12.3%	14.3%	12.1%	9.1%	9.4%	7.9%	7.4%
Equity spread	-1.1%	-13.0%	-2.9%	-3.7%	-1.8%	9.5%	5.5%	0.1%	2.1%	3.2%
Total interest-bearing debt	33,866	31,937	36,032	35,012	49,903	64,834	51,176	64,844	73,502	80,467
Total interest-bearing debt	15,658	14,885	13,666	13,431	19,095	28,186	16,258	18,638	16,533	14,450
Net debt	-18,208	-17,052	-22,366	-21,581	-30,808	-36,648	-34,918	-46,206	-56,969	-66,017
Net D/E ratio	-0.26	-0.26	-0.33	-0.30	-0.37	-0.36	-0.36	-0.45	-0.51	-0.55
Invested capital: IC (= Interest-bearing debt + equity)	86,136	80,360	81,513	86,100	101,773	128,750	113,826	121,921	128,112	135,123
Invested capital: IC' (= Working capital + Tangible/intangible fixed assets)	45,540	50,829	51,112	58,542	69,514	83,035	80,941	79,962	79,353	97,290
NOPAT (= Operating profit × (1 - tax rate 0.33))	5,414	4,082	3,588	7,162	11,894	17,317	15,604	7,688	9,698	11,094
ROIC (= NOPAT ÷ IC)	6.5%	4.9%	4.4%	8.5%	12.7%	15.0%	12.9%	6.5%	7.8%	8.4%
ROIC' (= NOPAT ÷ IC')	12.5%	8.5%	7.0%	13.1%	18.6%	22.7%	19.0%	9.6%	12.2%	12.6%
Operational Metrics										
Working capital (millions of yen)	30,177	34,315	37,180	42,549	50,686	62,915	59,868	58,219	58,925	76,680
Working capital turnover (times)	8.4	8.3	8.0	7.8	7.2	6.2	6.1	6.1	6.4	5.8
Current ratio	201.6%	183.6%	186.7%	152.8%	188.7%	188.3%	203.8%	229.8%	249.4%	211.2%
Quick ratio	184.4%	163.4%	167.3%	133.1%	166.0%	172.5%	183.4%	209.8%	230.4%	196.3%
CCC (days) = A + B - C	40.5	41.5	43.9	44.8	48.9	56.2	57.2	57.1	54.6	61.8
Accounts receivable turnover (times)	6.4	6.5	6.5	6.6	6.3	5.4	5.2	5.2	5.5	5.4
Days sales outstanding (DSO): A	57.1	56.3	55.8	55.3	57.6	67.1	70.6	69.9	66.7	67.1
Inventory turnover (times)	93.6	70.6	63.0	53.9	41.9	42.2	54.8	63.1	77.4	95.3
Days inventory outstanding (DIO): B	3.9	5.2	5.8	6.8	8.7	8.6	6.7	5.8	4.7	3.8
Accounts payable turnover (times)	17.8	18.3	20.6	21.1	20.9	18.6	18.2	19.6	21.7	39.8
Days payable outstanding (DPO): C	20.5	19.9	17.7	17.3	17.5	19.6	20.1	18.6	16.8	9.2
Capital expenditures, depreciation, FCF, etc. metrics										
Capital expenditures (Capex)	3,829	4,211	4,514	5,544	6,412	5,866	6,459	5,318	4,147	4,730
Depreciation and amortization (tangible and intangible assets)	2,603	3,078	3,287	3,567	4,619	5,445	5,323	5,675	6,141	5,430
FCF (= Operating CF + Investing CF)	2,288	1,156	8,233	1,208	7,313	9,547	16,439	17,655	13,644	11,727
Research and development expenses (R&D)	160	159	158	150	158	146	158	139	159	-
Employee metrics										
Number of employees (persons)	18,607	24,875	30,051	32,666	35,700	39,870	40,582	40,793	41,682	43,571
Number of temporary employees (annual average, persons)	26,728	25,420	24,866	25,850	27,915	29,642	29,709	28,971	28,971	28,112
Sales per employee	5.48	5.65	5.44	5.45	5.42	5.25	5.35	5.20	5.35	5.57
Operating profit per employee	0.18	0.13	0.10	0.19	0.29	0.38	0.33	0.16	0.21	0.23

Source: Compiled by Alphaterra based on company materials.

Note: Rounded to nearest ¥1M (discard below), decimals to 2nd place (rounding). * Calculated by Alphaterra.

SWOT Analysis

Strengths

- Through deployment of cutting-edge operating protocol that integrates the strength of AI and humans, the company has a capability to support clients' AI adoption and utilization, while enabling clients to grow unconstrained by labor.
- Having both BPO and CX services, the company can offer a broad range of services, while enabling the company to propose end-to-end optimized services to clients.
- Dual-pillar strategy (BPO and CX) proving effective in global expansion (overseas sales ratio: 25%)
- Robust and stable customer base (proportion of clients with 5+ years of transactions: CX 60%, BPO 70%)
- Proprietary hybrid model-based integrated CX platform "trans-DX for Support" linking cutting-edge AI technologies with human operations

Weaknesses

- Relatively high SG&A expense ratio compared to competitors, resulting in lower operating profit margin
- Low margin and competitively inferior businesses (EC one-stop, Digital promotion) in its portfolio
- Global expansion remains Asia-centric, with delayed penetration into Europe and the U.S.

Opportunities

- Ride the upmarket shift into higher-value add sectors like consulting
- Expand domestic BPO market share via roll-up acquisitions (aiming for oligopoly in contact center market)
- Enter Europe and the U.S. markets through strategic M&A

Threats

- Humans unable to keep pace with unexpectedly rapid evolution of AGI or ASI
- Clients reduce outsourcing due to their own AI adoption
- System failures from virus infections or cyberattacks on information systems, leading to destruction, tampering, or leakage of critical data
- Potential leakage of personal information

Challenges

- Talent acquisition, education, and training
- Infrastructure investments in cutting-edge tech and AI utilization
- Earnings enhancement (top-line growth rate, profit margin improvement and stability)
- Capital policy (ROE/ROIC enhancement, strategic investments/M&A, shareholder returns)
- ¥1 trillion market capitalization

Appendix

Figure 11 Profit and loss statement

Profit and loss statement, Consolidated (¥ mn)	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27 CoE
Sales	242,314	266,645	284,696	311,871	336,405	354,085	373,830	362,201	375,849	393,866	410,000
YoY	7.9%	10.0%	6.8%	9.5%	7.9%	5.3%	5.6%	-3.1%	3.8%	4.8%	4.1%
Cost of sales	199,411	219,377	237,494	257,262	270,518	276,306	297,308	293,948	303,604	317,222	
Gross profit	42,903	47,268	47,202	54,608	65,887	77,779	76,522	68,253	72,244	76,643	
Gross profit margin	17.7%	17.7%	16.6%	17.5%	19.6%	22.0%	20.5%	18.8%	19.2%	19.5%	
Selling, general and administrative expenses	34,822	41,175	41,846	43,918	48,135	51,932	53,231	56,778	57,769	60,084	
SG&A ratio to sales	14.4%	15.4%	14.7%	14.1%	14.3%	14.7%	14.2%	15.7%	15.4%	15.3%	
Operating profit	8,080	6,092	5,355	10,689	17,752	25,846	23,290	11,474	14,475	16,558	16,800
YoY	-16.9%	-24.6%	-12.1%	99.6%	66.1%	45.6%	-9.9%	-50.7%	26.2%	14.4%	1.5%
Operating profit margin	3.3%	2.3%	1.9%	3.4%	5.3%	7.3%	6.2%	3.2%	3.9%	4.2%	4.1%
Non-operating income	661	437	1,264	591	1,650	4,442	1,408	2,736	1,993	2,750	
Interest income	73	69	99	130	118	126	195	282	300	345	
Dividend income	95	31	125	18	8	12	42	28	73	45	
Share of profits of entities accounted for using equity method						3,188		558	994	546	
Purchase discounts											
Rental income											
Foreign exchange gains			95		214	213	272	1,082	179	1,156	
Recovery amount for merchandise loss											
Operating profit from investment business partnership		49	519								
Subsidy income	305	134	238	215	923	378	480	377	222	302	
Other	188	152	187	227	385	522	417	407	223	354	
Non-operating expenses	1,999	4,727	1,225	2,326	1,389	1,386	1,626	428	785	338	
Interest expenses	27	39	56	64	108	157	84	164	59	42	
Provision of allowance for doubtful accounts					660			53	469	86	
Share of loss of entities accounted for using equity method	1,583	4,448	853	1,231	380	-	1,325				
Foreign exchange losses	51			221							
Head office/office relocation expenses				302		978					
Loss on sale of accounts receivable											
Payment commissions											
Other	338	238	315	506	239	250	216	211	257	210	-
Recurring profit	6,742	1,802	5,394	8,954	18,012	28,902	23,072	13,782	15,683	18,970	17,800
YoY	-	-73.3%	199.3%	66.0%	101.2%	60.5%	-20.2%	-40.3%	13.8%	21.0%	-6.2%
Recurring profit margin	2.8%	0.7%	1.9%	2.9%	5.4%	8.2%	6.2%	3.8%	4.2%	4.8%	4.3%
Extraordinary income	4,593	1,563	7,834	2,368	942	2,756	1,534	3,432	1,462	371	
Business location subsidies, etc.				72	193					54	135
Gain on changes in equity				69	318	1,167	241	82	278		
Gain on sale of investment securities	1,748	328	882	2,194	107	731	756	3,241	711	22	
Gain on liquidation of affiliates									186		
Reversal of allowance for doubtful accounts of affiliates											
Gain on sale of shares of affiliates	2,451	1,009	6,664		285	-	373			205	
Penalty income						734					
Others	394	225	287	32	37	122	162	109	233	9	-
Extraordinary losses	740	2,321	3,958	1,224	1,128	557	1,170	852	1,522	728	
Impairment loss	289	213	3,068	741	155	84	194	49	61	164	
Loss on retirement of fixed assets				92	112	153	204		68	126	
Loss on changes in equity		1,216	28	2	162		131				
Valuation loss on investment securities		623	540	107	537	99	478	493	881	395	
Loss on sale of shares of affiliates	368										
Valuation loss on shares of affiliates								18	498	36	
Loss on liquidation of affiliates								173			
Litigation-related loss											
Loss on transition to retirement benefit plan											
Others	82	268	320	280	161	219	160	118	11	5	
Total income taxes	3,039	3,052	4,686	3,483	6,631	8,335	6,456	5,219	3,397	4,621	
Tax rate	28.7%	292.3%	50.6%	34.5%	37.2%	26.8%	27.5%	31.9%	7.3%	9.9%	
Profit (loss) attributable to non-controlling interests	399	168	151	336	1,172	1,276	1,212	1,045	893	907	
Profit attributable to owners of parent	7,156	-2,176	4,433	6,279	10,022	21,488	15,767	10,097	11,332	13,084	13,500
YoY	-5.7%	-	-	41.6%	59.6%	114.4%	-26.6%	-36.0%	12.2%	15.5%	3.2%
Net profit margin	3.0%	-	1.6%	2.0%	3.0%	6.1%	4.2%	2.8%	3.0%	3.3%	3.3%

Source: Compiled by Alphaterra based on company materials.

Note: Rounded to nearest ¥1M (discard below), decimals to 2nd place (rounding). * Calculated by Alphaterra.

Figure12 Balance sheet

Balance Sheet, Consolidated (¥ mn)	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26
Assets										
Cash and deposits	33,866	31,937	36,032	35,012	49,903	64,834	51,176	64,844	73,502	80,467
Notes and accounts receivable – trade, and contract assets	39,967	42,238	44,746	49,793	56,436	73,708	70,985	67,758	69,506	75,393
Inventories	2,662	3,551	3,988	5,564	7,354	5,736	5,113	4,204	3,642	3,016
Merchandise and finished goods	2,047	2,595	2,850	4,420	5,723	5,425	4,825	3,938	3,391	2,779
Work in process	581	914	1,090	1,088	1,481	227	196	193	181	156
Supplies	34	42	48	56	150	84	92	73	70	81
Deferred tax assets	1,708									
Others	4,370	5,566	5,324	6,954	7,128	6,984	8,444	8,408	8,143	8,820
Less - allowance for doubtful accounts	-292	-304	-258	-403	-293	-274	-297	-426	-137	-170
Total current assets	82,283	82,989	89,835	96,922	120,530	150,990	135,423	144,790	154,658	167,528
Buildings and structures, net	4,087	4,738	4,851	5,486	6,669	6,274	6,652	6,864	7,128	7,427
Vehicles, net	15	37	47	40	34	38	41	46	34	20
Tools, furniture and fixtures, net	3,608	4,035	3,877	4,390	5,337	6,477	7,779	7,463	6,086	5,835
Land	828	840	831	825	826	829	839	853	705	721
Leased assets, net	480	566	730	850	1,121	1,558	1,182	949	1,001	624
Construction in progress	49	58	60	86	168	295	56	98	143	41
Total property, plant and equipment, net	9,069	10,276	10,398	11,679	14,157	15,474	16,550	16,275	15,099	14,669
Goodwill	3,818	3,570	417	778	984	792	604	842	619	910
Software	1,857	2,215	2,538	2,806	3,036	3,271	3,135	3,607	3,945	3,874
Leased assets	16	16	10	9	56	5	27	21	14	7
Software in progress	77	104	286	382	253	244	429	693	457	829
Others	526	332	280	336	340	333	326	305	292	320
Total intangible assets	6,294	6,238	3,534	4,314	4,671	4,646	4,523	5,468	5,329	5,941
Investment securities	14,286	4,654	8,737	7,196	9,628	16,579	8,111	4,355	3,363	3,904
Shares of unconsolidated subsidiaries and affiliates	10,457	9,482	6,782	5,506	9,293	14,108	10,718	11,669	12,851	12,815
Investments of capital subsidiaries and affiliates	6,822	6,664	5,948	6,092	1,147	1,324	1,442	1,666	1,853	2,013
Long-term loans receivable	1,370	388	347	330	1,117	488	532	381	876	914
Deferred tax assets	149	1,385	1,785	2,183	5,009	4,030	5,305	3,526	3,497	3,655
Derivative receivables	6,925									
Guarantee deposits	5,861	6,604	7,638	9,289	10,433	10,021	10,456	10,624	10,236	12,042
Others	490	880	782	758	843	1,072	1,112	1,024	1,085	1,329
Less - allowance for doubtful accounts	-208	-499	-522	-288	-950	-282	-333	-335	-867	-949
Total investments and other assets	46,154	29,561	31,501	31,068	36,522	47,344	37,345	32,912	32,896	35,725
Total non-current assets	61,518	46,077	45,433	47,062	55,352	67,465	58,419	54,656	53,325	56,336
Total assets	143,802	129,067	135,268	143,985	175,883	218,455	193,842	199,446	207,984	223,865
Liabilities										
Accounts payable - trade	12,452	11,474	11,554	12,808	13,104	16,529	16,230	13,743	14,223	1,729
Short-term interest-bearing debt	2,175	3,030	3,528	13,175	2,683	13,685	3,768	2,255	2,220	12,198
Short-term borrowings	476	1,286	1,763	3,057	2,548	1,563	1,629	114	80	58
Current portion of bonds payable	7	7	7	10,035	48	62	79	75	81	78
Current portion of CB-type bonds with subscription rights to shares										10,014
Current portion of long-term debt	1,692	1,737	1,758	83	87	12,060	2,060	2,066	2,059	2,048
Accounts payable - other	6,167	5,202	5,319	6,809	7,120	8,970	7,785	7,219	7,170	8,233
Accrued expenses	8,928	13,404	14,446	14,512	16,047	17,962	18,918	20,784	19,303	21,447
Income taxes payable	2,352	2,352	2,323	3,151	8,111	6,243	4,849	2,622	2,642	3,850
Accrued consumption taxes	3,104	3,759	4,031	4,830	6,270	5,455	4,601	5,607	5,247	5,725
Advances received	914	1,197	1,773	1,320	2,059	2,394	1,955	2,090	2,267	2,287
Accrued compensation	3,732	3,639	3,793	4,766	5,462	6,395	6,233	6,039	6,671	6,261
Others	988	1,138	1,351	2,057	3,024	2,539	2,091	2,650	2,268	2,020
Total current liabilities	40,812	45,201	48,121	63,432	63,886	80,178	66,433	63,014	62,014	79,316
Long-term interest-bearing debt	13,483	11,855	10,138	256	16,412	14,501	12,490	16,383	14,313	2,252
Bonds payable	39	32	25	114	166	174	194	119	128	150
CB-type bonds with subscription rights to shares	10,037	10,027	10,017			10,094	10,074	10,054	10,034	-
Long-term debt	3,407	1,796	96	142	16,246	4,233	2,222	6,210	4,151	2,102
Deferred tax liabilities	3,872	111	1,261	895	1,191	1,025	374			
Liability for retirement benefits	16	26	26	295	334	373	402	413	411	467
Long-term guarantee deposited	28	29	20	19	19	5	23	24	6	6
Derivative liabilities										
Others	401	645	783	1,116	1,521	1,492	1,738	1,545	2,169	2,528
Total non-current liabilities	17,800	12,666	12,232	2,583	19,480	17,396	15,027	18,367	16,901	5,255
Total liabilities	58,613	57,867	60,353	66,015	83,366	97,575	81,461	81,381	78,916	84,572
Net assets										
Share capital	29,065	29,065	29,065	29,065	29,065	29,065	29,065	29,065	29,065	29,065
Capital surplus	18,908	18,263	17,755	17,778	19,361	19,331	19,330	19,332	6,889	6,890
Retained earnings	37,737	33,381	36,261	41,061	49,488	67,408	77,739	83,452	91,749	100,842
Treasury stock, at cost	-15,232	-15,234	-15,235	-15,236	-15,237	-15,240	-28,567	-28,567	-16,125	-16,125
Total shareholders' equity	70,478	65,475	67,847	72,669	82,678	100,564	97,568	103,283	111,579	120,673
Total accumulated other comprehensive income	11,217	2,144	3,708	1,527	3,132	12,379	5,917	5,100	7,066	7,605
Unrealized holding gain on securities	6,509	1,265	4,470	3,204	4,624	11,324	2,452	495	321	857
Deferred gains or losses on hedges	5,193									
Foreign currency translation gains adjustments	-485	878	-761	-1,677	-1,492	1,055	3,464	4,605	6,744	6,747
Stock acquisition rights	3	3	3	3	3	3	3			
Non-controlling interests	3,489	3,574	3,355	3,769	6,702	7,932	8,892	9,680	10,422	11,014
Total net assets	85,188	71,199	74,915	77,969	92,516	120,880	112,381	118,065	129,068	139,293
Total liabilities and net assets	143,802	129,067	135,268	143,985	175,883	218,455	193,842	199,446	207,984	223,865
Working capital	30,177	34,315	37,180	42,549	50,686	62,915	59,868	58,219	58,925	76,680
Total interest-bearing debt	15,658	14,885	13,666	13,431	19,095	28,186	16,258	18,638	16,533	14,450
Net debt	-18,208	-17,052	-22,366	-21,581	-30,808	-36,648	-34,918	-46,206	-56,969	-66,017
D/E ratio	0.22	0.23	0.20	0.18	0.23	0.28	0.17	0.18	0.15	0.12
Net D/E ratio	-0.26	-0.26	-0.33	-0.30	-0.37	-0.36	-0.36	-0.45	-0.51	-0.55
Cash and deposits	33,866	31,937	36,032	35,012	49,903	64,834	51,176	64,844	73,502	80,467
Cash and cash equivalents (in securities report)	33,422	31,772	35,979	34,920	49,074	63,858	49,366	64,421	73,134	78,901
Shareholders' equity	70,478	65,475	67,847	72,669	82,678	100,564	97,568	103,283	111,579	120,673
Equity (in securities report)	81,695	67,621	71,555	74,196	85,811	112,944	103,486	108,383	118,645	128,278
Equity ratio	56.8%	52.4%	52.9%	51.5%	48.8%	51.7%	53.4%	54.3%	57.0%	57.3%

Source: Compiled by Alphaterra based on company materials.

Note: Rounded to nearest ¥1M (discard below), decimals to 2nd place (rounding). * Calculated by Alphaterra.

Figure 13 Statement of cash flows

Statement of cash flows, Consolidated (¥ mn)	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26
Operating Cash Flow (1)	8,487	7,814	3,889	8,093	15,715	15,770	24,253	18,255	17,314	20,760
Profit before tax	10,595	1,044	9,270	10,099	17,826	31,100	23,436	16,362	15,623	18,613
Depreciation and amortization (tangible assets)	1,856	2,220	2,394	2,571	3,423	4,072	3,812	4,151	4,592	3,921
Amortization of intangible fixed assets	747	858	893	995	1,196	1,372	1,510	1,523	1,548	1,504
Impairment loss	289	213	3,068	741	155	84	194	49	61	164
Changes in working capital	-2,577	-3,899	-3,390	-4,801	-7,795	-10,768	4,297	2,784	416	-1,675
Changes in accounts receivable (- increase)	-3,827	-1,920	-3,064	-4,290	-6,465	-15,345	3,701	4,015	-584	-5,315
Changes in inventories (- increase)	-1,040	-805	-577	-1,579	-1,635	1,509	813	1,142	765	676
Changes in accounts payable (- decrease)	2,290	-1,174	251	1,068	305	3,068	-217	-2,373	235	2,964
Investing Cash Flow (2)	-6,199	-6,658	4,344	-6,885	-8,402	-6,223	-7,814	-600	-3,670	-9,033
Purchases of tangible and intangible fixed assets	-3,235	-4,337	-3,930	-4,904	-5,816	-5,223	-6,033	-5,053	-4,089	-4,452
Proceeds from sales of tangible and intangible fixed assets	-	-	-	-	-	-	-	-	-	-
FCF (1 + 2)	2,288	1,156	8,233	1,208	7,313	9,547	16,439	17,655	13,644	11,727
Financing Cash Flow	-3,300	-4,049	-3,165	-2,093	6,735	4,218	-31,895	-3,754	-6,028	-6,948
Net change in short-term borrowings	369	782	550	-13,442	-430	-1,163	20	-1,729	-33	-27
Net change in long-term borrowings	-234	-1,574	-1,679	-1,666	16,081	-40	-12,011	3,986	-2,066	-2,142
Proceeds from long-term borrowings	75	150	78	168	16,211	50	50	6,050	-	-
Repayment of long-term borrowings	-309	-1,724	-1,757	-1,834	-130	-90	-12,061	-2,064	-2,066	-2,142
Net issuance and redemption of corporate bonds	-	-	-	115	-9,903	10,106	100	-	100	100
Dividends paid	-2,303	-2,157	-957	-1,370	-1,908	-3,853	-5,778	-5,063	-3,037	-3,975
Depreciation (A)	1,856	2,220	2,394	2,571	3,423	4,072	3,812	4,151	4,592	3,921
Capital expenditures (B)	-3,235	-4,337	-3,930	-4,904	-5,816	-5,223	-6,033	-5,053	-4,089	-4,452
Changes in working capital (C)	-2,577	-3,899	-3,390	-4,801	-7,795	-10,768	4,297	2,784	416	-1,675
Simple FCF (NI + A - B - C)	14,824	8,280	14,147	18,555	27,056	41,551	21,315	16,517	19,597	23,132

Source: Compiled by Alphaterra based on company materials.

Note: Rounded to nearest ¥1M (discard below), decimals to 2nd place (rounding). * Calculated by Alphaterra.

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